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ABSTRACT

Federal, state, local, and institutional perspectives on the financial future of Maryland's community colleges are presented in this conference proceedings. In the first section, spokesmen from the Brookings Institution examine "Federalism--Old and New." James Sundquist discusses President Reagan's "New Federalism" and its implications for educational finance, and David Breneman discusses the direct role of the federal government in financing community colleges. In the next section, two state legislators consider higher education funding priorities for Maryland. Laurence Levitan discusses the role of the state legislature in community college funding, and Nancy Kopp highlights problems of maintaining the quality of institutions and programs in the context of declining resources. Next, program and budget priorities at the local level are addressed by: (1) Bruce Talley, who reviews implications of the New Federalism; (2) J. Hugh Nichols, who presents a proposal for college funding through a national loan fund; (3) George Grier, who discusses local political considerations affecting college funding; and (4) Barry Teach, who describes state budgeting practices and their impact on community colleges. Finally, Glennon L. DeRoy, Robert E. Parilla, and Benita Mackie present institutional perspectives on community colleges' response to the financial challenges posed by declining resources and funding changes. (HB)

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Conference Proceedings

THE FINANCIAL FUTURE OF MARYLAND COMMUNITY COLLEGES: GOVERNMENTAL PERSPECTIVES

December 3, 1982
Annapolis, Maryland

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Montgomery College
The Institute for Research in Higher and Adult Education, University of Maryland
The Maryland State Board for Community Colleges
and
The Maryland Association of Community College Trustees

CONFERENCE PROCEEDINGS

THE FINANCIAL FUTURE OF MARYLAND COMMUNITY COLLEGES: GOVERNMENTAL PERSPECTIVES

December 3, 1982

Annapolis, Maryland

Sponsored by

Montgomery College

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and

The Maryland Association of Community College Trustees

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FEDERALISM - OLD AND NEW

Mr. James Sundquist, Senior Fellow, Brookings Institution

I would like to begin by pointing out that anything I say about the Reagan administration is strictly non-partisan, in the Brookings tradition. I assume from the program that what you wanted me to convey was the inside information from Washington on how much money you're going to get in the next few years from the federal government. I came from Washington only this morning, and I'm prepared to give you the answer. Let me reword that; I'm prepared to make a prediction. Whatever money you're getting now from the federal government you will, in the next few years until 1985, get exactly the same amount--no more or no less. The State of Maryland may have more discretion in the next few years as to how it's going to distribute its money, but the amount of money flowing into Maryland should be about the same.

The reason I make this prediction with such conviction is that the voters in their infinite wisdom have given us an almost perfectly divided government, which in the nature of things means a deadlocked government. You have an ultra-conservative in the White House, you have liberal Democrats in charge of the House of Representatives, and the balance of power of the Senate is held by moderate Republicans--people like Senator Mathias--who are very near the middle of the political spectrum. The only things that those three centers of power can possibly agree on in the next two years is the status quo. The government will not be able to move to the left or to the right. The Congress will see to it that you get as much money as you're getting now. The President will certainly see to it that you don't get any more. There

probably won't be any adjustment for inflation. The House of Representatives Appropriations Committee a couple of days ago reversed President Reagan's proposed cut in this year's budget and brought the figures back to current levels. So it looks as though, even in this year, the amount of money you'll get will be about the same.

Now that I've given you the bottom line, so to speak, I'll devote the rest of my time to the "Federalism Old and New" topic that was assigned to me. Reagan's "New Federalism," like all of his other policies, grows out of his ideology. He is the most ideological President, certainly since Calvin Coolidge and maybe since Grover Cleveland. Perhaps he is the most ideological person that has ever been in the White House. He really believes the things he said in the campaign, and he's really trying to carry them out. He does believe that the government is too big. In his opinion, the problem with society is the federal government. He believes that we've got to get the government off of the backs of the people.

As the "New Federalism" applies to the federal structure, it has three elements. One is the simple reduction unilaterally of the federal role by abandonment of certain activities that the federal government has been carrying out. I won't dwell on that. We all know what the budget cuts have been. As I said, they'll probably come to an end now; the budget cutting period is over. The total amount of grants in aid has now been reduced to 2.4 percent of the Gross National Product, which is the smallest figure since the 1960's. It will probably continue to go down as a proportion of the GNP, as the absolute amounts stay about the same. The second aspect of Reagan's "New Federalism" is a further simplification of the grant structure--the consolidation of all the many categorical grants into fewer block grants.

This is something that has been happening on a bi-partisan basis for 20 years or so now and it will no doubt continue. There was some considerable grant consolidation last year in the elementary and secondary fields. Someone said that 37 grants have been consolidated into one, but someone else said that figure is a little bit high. Anyway, a lot of programs were brought together which gives the states and the local school authorities more discretion as to how to spread their money around.

The third aspect, and this is the really innovative and interesting one that I'll spend the rest of my time talking about, is the effort to sort out the functions of government between the federal level and the state level. The purpose is to develop a clean line of demarcation between them, at least a cleaner line, a sharper line, than there has been before. The states will have responsibility for some things and the federal government will abandon those fields and will not be in the hair of the states or on the backs of the states. For other things, the federal government will take exclusive responsibility.

The effort to draw a clean line across the federal system between the federal and state levels has had a long and honorable history--two hundred fifty years of history, in fact. The founding fathers indeed thought they had drawn the lines of demarcation. They felt they had set up a limited federal government with enumerated powers. The federal government, after all, is created by the state and, in effect, it took the powers that the states were willing to delegate to it. This fact was pinned down in the 10th amendment which said powers not granted to the federal government are reserved to the

states or to the people. It is, however, difficult to draw precise boundaries even around enumerated powers; and very early, from the beginning, in fact, the federal government and the states were in the same field. They were both building roads, both building harbors, both chartering banks, both aiding railroads. The line was not very clean. But the theory was that it was a clean line and the Supreme Court in 1859 pinned it down very categorically saying the general government and the state are distinct sovereignties acting separately and independently of each other within their respective spheres. Separate, distinct, independent--that was the concept.

Obviously, we've come a long way from that. What made the difference, what transformed the federal system from the 19th century concept to the 20th century concept, was a little device that was first invented in 1879 called the grant in aid. The first grant in aid was for teaching materials for the blind. This program raised a constitutional question. What business did the federal government have in the field of education? But who could be against education, who could be against the blind? Nobody challenged it. It has remained on the books. It may still be on the books for all I know. It was there the last time I checked. A little while after that, the federal government made aid available for homes for aging civil war veterans. Well, who could be against veterans, either then or now? Nobody challenged that federal role. The grant in aid thing developed rather slowly until the Woodrow Wilson administration--Woodrow Wilson's "New Freedom." Then there was a whole spate of federal aid programs enacted: the first federal aid to highways, the agricultural extension service, vocational education, vocational rehabilitation, and quite a few others.

Finally, there were two serious court challenges of the grant in aid system, both decided in 1923. One was brought by a taxpayer, the other by the State of Massachusetts. The Supreme Court ruled that the taxpayer had no standing to challenge the grant in aid program because his interest was too miniscule. His own taxes were so small as related to any particular function that there was no injury. The Court told the State of Massachusetts it didn't have a leg to stand on either because it didn't have to take the money. If the State felt it was coerced or objected otherwise, it could just refuse to take the grant in aid. The result was that nobody could bring a suit to challenge the whole grant in aid structure that was then building up.

Well, along came the "New Deal," and there was another wave of new grant in aid programs. Again they were challenged. This time the Court found another more solid basis for justifying the grant system and that was the general welfare clause, which up until 1936 had never been interpreted. It was interpreted at that point by the Supreme Court to mean, in effect, that the federal government could give grants for any purposes it chose to give them and that the sky was the limit. Well, with the sky the limit, we had a tremendous multiplication of grants in aid.

In the Roosevelt period, in the Truman period, in the Kennedy period, and in the Johnson period, in particular, one categorical aid program after another was passed. What happened, in effect, was that any lobby that was strong enough and dissatisfied with what it was getting at the state level or that wanted more than it was getting at the state level would exert its political power and get a categorical grant. By the end of the Johnson administration, there were by the count of the Advisory Commission on

Intergovernment Relations something over 400 categorical grants in aid. And I've seen a figure that, if you really break it down into all the components, there were over 1500. Anyway, there was a tremendous complex of grants in aid. In addition to the narrow categorical grants, there were some rather general programs--the poverty program, the economic program, the public works program--so that if there wasn't a categorical grant for a particular function of a local government or state, that function could be financed out of these more general programs. By 1968, there wasn't a single function at the state or local government that was not eligible and that was not getting some kind of federal assistance.

While the grant in aid program wasn't a constitutional issue after 1936, it was certainly a political issue. In fact, the modern party system came into being on this very issue of the role of the federal government and the grant in aid program. You'll notice that all the present expansion came under Democratic presidents: Wilson's "New Freedom," "Roosevelt's "New Deal," Truman's "Fair Deal," Kennedy's "New Frontier," Johnson's "Great Society." All of these grand programs have a heavy intergovernmental relations component; they all involve building elaborate grant in aid structures. Republicans, meanwhile, had fought this expansion almost every step of the way. As a matter of fact, it was in the 1930's when the "New Deal" came out in favor of the grants in aid to the states and cities for relief of the poor that Republicans dug in their heels against that concept and the modern party system really took form. The Democrats became the Liberal Party and the Republicans the Conservative Party. The Republicans campaigned against the grant in aid program for relief of the poor. They wrote vigorous platform

language denouncing what the Democrats were up to as attempting to achieve the goal they had put into the 1952 platform of National Socialism. When the Republicans were in power, they tried to turn the clock back.

Now the greatest effort and most serious effort to sort out the functions and cut the federal government down to size was done in President Eisenhower's period. Eisenhower believed just as deeply as Ronald Reagan does that the federal government had gotten too big. His language wasn't quite as vivid, but in his campaign and in his first couple of years of office he talked constantly about the subjects of cutting the federal government back, and returning the responsibility to the states. His instrument for this at the outset was the Kestenbaum Commission. This was a group of very eminent people. When Eisenhower called them together, he charged them with the responsibility of drawing this line of demarcation between federal and state government that people had been talking about for 150 years. So the Kestenbaum Commission went to work. In 1955, it came out with a report that told President Eisenhower, in effect, that his ideas were obsolete. They said that the line can't be drawn and shouldn't be drawn. There are few activities of government, indeed, in which there isn't some degree of national interest. The Commission proposed more expansion of federal activities than contraction.

Eisenhower wasn't satisified with taking no for an answer, and he tried again. In 1957 at the governors' conference in Williamsburg, he addressed the governors and said, "Now, you governors have been talking for a long time about the federal government messing around too much in your affairs and I agree with you. Let's put together a joint action committee with three governors and three of my cabinet members. I'll provide the staff support,

and let's really work this thing out." The governors accepted the challenge and the Federal State Joint Action Committee was set up. They labored for two solid years, and at the end of that time, all they could agree on was turning back two functions to the states--sewage treatment plants and vocational education. In order to finance those functions, they recommended turning the telephone tax back to the states. Every governor then took out a calculator, figured out how much it would cost them to assume those two programs and how much revenue they would receive from the telephone tax and calculated the difference. The result was that 30 states were going to lose and 18 states were going to gain. Since 30 states outvote 18, I don't think the bill was even introduced. The Democrats controlled the Congress and no one took the thing seriously. That was the first serious effort to do what Ronald Reagan is now trying to do--to sort out these functions into some rational, clean pattern.

Reagan tried a different approach. Instead of setting up a joint committee to work out what the division should be, he went ahead and announced what the division should be and then entered negotiations afterwards. He, in other words, set up an agenda for negotiations with the governors. Then the governors appointed a committee of six to enter the negotiations with him. His proposals for redistributions of responsibility were mainly in the field of welfare. He proposed that the federal government take over full responsibility for the Medicaid program and that the states take over full responsibility for the rest of the welfare functions including food stamps and aid to families with dependent children. The trouble with that proposal was that it wasn't what the governors wanted. They had come out for a different

kind of swap, as the phrase goes. They had proposed as early as 1969 that the federal government ought to take all responsibility in the field of welfare. Their reasoning was that since the federal government has taken responsibility for the national economy, it ought to take responsibility for the people who are injured because of national economic policies. The distribution geographically of the people who are injured is unequal, and it is not the responsibility of the states when their residents are injured as a result of national economic policy. Therefore, the federal government should assume welfare as a national function. In exchange for that, the governors said, "Let the federal government get out of the field of education and out of the field of law enforcement. We'll take over full responsibility in those areas, which are traditional state functions that the federal government can afford to give up." Well, Reagan wasn't ready to accept that. His feeling about Aid to Families with Dependent Children, in particular, was just the opposite of the governors. He was saying this ought to be a local function because people can look after their neighbors better than they can be looked after from Washington. The people in the local community know best who is deserving and who ought to be out working and that can't be decided well at the federal level.

So they went into negotiations all last spring and they reached some agreement. By summer, however, it was clear that the negotiations were breaking down, and presently they are suspended.

The White House says that the negotiations are by no means dead and that they will continue. They say great progress was made in 1982 toward sorting out federal and state responsibilities. They had identified about 300 policy

questions to be settled and 290 of them were settled in negotitiations with the team of governors. The other 10, of course, were the hard ones. Reagan plans to send out another plan very early in 1983. Meanwhile, the governors are just as anxious to keep the negotiations going. They have been talking for a long time about the need to sort out these functions and get things more rationalized. They believe that the pattern of all of these categorical grants in aid is administratively burdensome and creates all kinds of strange interactions between the federal and state levels. They want more discretion as to how to use the federal money. So they have set up a new negotiating team, this time 11 members--their entire executive committee. They intend to prepare their own negotiating position this time, so beginning in 1983, we will see a confrontation between the Reagan plan and whatever plan the governors have come up with. The governors are thinking at this point not of a grand solution which will be worked out in a single bill resolving all of the problems--all 300 of them. They think it's more like a 10 year effort with negotiations field by field.

Negotiations could start, for instance, in the field of transportation by examining the federal aid to transportation program. This program uses different formulas to fund construction of different kinds of roads and bridges. The governors might suggest that this program be divided up so that the federal government runs the interstate highway system, taking full responsibility for it, and the states take full responsibility for the rest of the highways and roads. Reagan, of course, is anxious to get the division of responsibility resolved before he's out of office so that he can go down in history as the man who finally succeeded in doing what the founding fathers had attempted to do and failed by making this nice, clean division of responsibility.

The governors are also shifting their position a bit on the question of financial resources. Some years ago they said, "If you give us more discretion, we'll be willing to take some cuts." But now the recession has really hit home in the states. They are all financially strapped, and the governors are now taking the view that if there is any kind of settlement its got to be one that leaves the states no worse off than they are now. This position creates a problem because if the states insist they are going to gain from this transaction, Congress and the President won't buy it. If the states are going to lose from the ultimate settlement, they're not going to buy it. So it's beginning to be a mathematical feat of some dexterity to come out precisely at the point where the states neither win nor lose--now and as projected in the future and for all 50 states.

The second question is, assuming that things get sorted out over the next 10 years or in a shorter period of time, will they stay put? I would say the answer to that is categorically no. The reason goes back to what the Kestenbaum Commission said in 1955. There are few activities of government, indeed, in which there is not some degree of national interest. If the federal government gets out of the field of welfare, for instance, as Reagan proposed and it turns out that there are vastly varying levels of welfare that eventuate depending on the resources and will of each of the 50 states, won't the Congress be forced to act? They were before when that situation arose. Someone will discover hungry children; someone will discover starvation in South Carolina or Mississippi. The media will take up the cry for action. The same forces that led us in the 1930's to decide that the country does have a national interest in the welfare of all the citizens and that led us to

decide that we have a national poverty program, civil rights program, and health care programs are just as valid now as they were then.

If the federal government gets out of the field of education and it turns out that the states are not doing it well enough in whatever respect (i.e., not training enough scientists and engineers for national defense needs or for the needs of increasing of productivity in the high technology industries or not doing enough for the disadvantaged or whatever), all the causes that brought the federal government into federal aid for education in the first place will still be operating. In fact, Ronald Reagan, himself, has just discovered that there's a national interest in repairing roads and bridges all over the country. We should increase our national taxation for that purpose. These are the very excise taxes that he proposed to eliminate in his original "New Federalism" program early this year.

Thus, we expect any sorting out of functions to be very slow in coming and to be very unstable if it comes. The reason obviously is that people will always have profoundly different conceptions of what the national interest is. The policy makers of the old federalism who perhaps identify that with Lyndon Johnson and the "Great Society" talk of the problems of poverty and discrimination and related social ills. The resultant underdevelopment of human resources and social intentions were grave problems with national spillover effects that threatened to tear the country apart. There were four years of riots and violence in the 1960's. We were, therefore, under an imperative to act as a nation. I remember when I was working on Capitol Hill on educational legislation. This was before there was any real federal aid to education; in fact, there was none at all. The opponents of federal aid were

arguing that if educational conditions are bad in Mississippi or Kentucky or Arkansas that's their funeral. On the proponents' side, we said that it's not their funeral; it's everybody's funeral, because people are mobile. They don't stay in Mississippi and Arkansas; they go the St. Louis and Chicago. The inadequate education they receive becomes a burden on somebody else and consequently this is a national problem.

Well, policymakers of the "New Federalism" including Reagan, the Nixon administration, the Eisenhower administration, and the Republican party generally don't see the same spillover effects or don't give them the same value. They see a different set of evils as being more important--centralization of government, dictation from Washington, and so on. The question of the scope of the federal role will always be in the political arena. One set of politicians will pull in one direction; another set of politicians will pull in another direction. It will be a question of who wins, which party is in power, the ideology of particular presidents, senators and congressmen, and the shifting mood of the country in response to changing circumstances and historical events.

Dr. David Breneman, Senior Fellow, Brookings Institution

You people out in the audience are awfully brave or foolish because it's not every day that people get exposed to a double dose of Brookings forecasts--a real one-two punch, if I may say. Often when I'm asked to speak, I'm asked to be very candid, blunt and forthright, not to pull any punches and to get right to the nub of things. So much so that one of my colleagues at

Brookings in the economics program has observed that the economists at Brookings are, if nothing else, always forthright--by which means we're right about a fourth of the time.

I was struck by some of the information in the flyer that went out with the materials for the conference. I assume you all received a short paper written by Jim Tschechtelin. I was taken by a figure down at the bottom of the front page where it said, if I remember correctly, that the non-federal sources--tuition, state, local, private giving, and so on--cover about 98 percent of the bill for Maryland community colleges, which, if correct, would leave the federal government with a residual of about two percent. This figure would make you wonder why in the world we are even bothering to look at the federal role as part of this conference.

I was sufficiently struck by the figure that it caused me to decide that it might be good to talk about what the direct role of the federal government is right now in financing your institutions. This role is not totally clear and it is subject to interpretation; however, there is one view that would make it considerably more important than the suggested two percent figure would indicate. In our book, Financing Community Colleges, we examined financing sources for the 1979-80 school year. I don't think the trends we found have altered dramatically in the subsequent two years. We looked at all states. Nationally, the distribution of revenue for the support of public community colleges in 1979-80 showed tuition and fees at about 14.4 percent of the total revenues. The state share, being by far the largest, was 49.7 percent. Local money, mostly property taxes, provided 19.2 percent. Various other forms of revenue provided 9.4 percent. The federal government

share at 7.3 percent is the smallest of the group, which is certainly consistent with the general notes that were in the papers that were handed out.

In 1979-80, just to put it in perspective, the nation's community colleges were a 6.3 billion dollar enterprise supported roughly half by the states and modestly by the federal government. At 7.3 percent, if that's a correct estimate of the federal contribution, that translates into about a half billion dollars of support. But I suggest to you, as I think most of you know, that that figure of 7.3 percent does not accurately reflect the federal student aid component, which really is the bulk of the federal giving. In other words, federal student aid reenters this system through the tuition channel as it is given directly to students and they pay tuition. Thus, some part of the tuition revenues received by the institutions actually come from federal aid.

To gain a better understanding of the federal contribution to community colleges, a different type of analysis can be undertaken. I went to one of our tables where we examined the distribution of federal aid to higher education, comparing the community colleges' share to all institutions. In fiscal 1979, the total federal outlay including, by the way, a significant amount of research support which by and large your institutions don't receive, was about 12.1 billion dollars. The community colleges received about 2.2 billion dollars of that, or roughly 18 percent of the total. Now this is the same year as the previous data from the other source refers to, but on this accounting from Washington's perspective about 2.2 billion dollars of aid flowed into your institutions. If all of the 2.2 billion dollars flowed back into the institution and was not kept by students for other living costs, it

would make the federal share 2.2 billion out of 6.3 billion dollars, which is a much more substantial 35 percent of the total aid. Now, the correct figure is ultimately unknowable but it clearly lies between these bounds--a sort of a minimal lower bound at 7 percent or a half billion and an upper bound of as much as 35 percent or 2.2 billion dollars. If we try to figure out where the truth lies, it's important to examine components of this 2.2 billion dollars in aid. In fiscal 1979, the biggest single item was the G.I. bill, veterans' education benefits, which we had estimated at about 950 million dollars or nearly 43 percent of the total federal aid. The second single biggest item still was not student aid, which is what we spent so much time worrying about. It was the social security education benefits of that year estimated in community colleges at about 460 million dollars. Student aid, all of the programs molded together from the Department of Education that same year, was about the same as social security, 469 million dollars or about 21 percent. The only other program of any significance that put much money in the community colleges was vocational education funding from which, at best, we could estimate about 172 million dollars flowed into the community colleges. The balance is made up of a number of smaller programs.

Now what's happening to each of these components? Well, the veterans' benefits, the Vietnam G.I. bill, although it was 953 million dollars of support in fiscal 1979, is certainly going down today. That program, as you know, is being phased out. Each year another wave of people has exhausted eligibility for it. By the late 1980's, most of that Vietnam era G.I. bill program will be finished. Although there was a lot of talk last year about reintroducing a new G.I. bill, for the time being that issue is as dead as any

issue ever is in Washington, so there's no clear replacement coming right away.

The next biggest item is Social Security education benefits, which by 1981 nationally had reached over two billion dollars in aid to students. As you know, these benefits are now on a four-year phase-out. As far as I can see, there is not much likelihood that the phase-out will be reversed.

Of the Department of Education grant and loan program for community colleges, the Pell Grants are clearly the most important. In fact, of all the six major programs, Pell Grant and maybe Work Study are the two that really matter to community colleges. The loan programs appear not to be a major factor in your student financing package, and the vocational education bill is in some stage of reauthorization right now with a proposal by the Reagan administration for consolidation and a severe cut of vocational education funding. So the three big forms of aid to students that the federal government puts out--the G.I. bill, the Social Security benefits, and the Pell Grant program--amounted in fiscal 1979 to about 1.7 billion dollars in aid, which happens to be just about exactly the difference between the low estimate of half a billion dollars, the 7.3 percent that we got from the institutions, and the high estimate of 2.2 billion dollars.

As a next step, you're forced to ask, how much of that money went to students in the form of direct aid to education, how much was kept for their living expenses and other costs, and how much actually came back to the institutions in tuition? Nationally, probably the bulk of it was kept by students. I say that in part because the biggest single block of community colleges in the nation are in California, which has about a quarter of all community college enrollments and does not charge tuition. Therefore,

students getting this aid in California really had it all to their own discretionary use for living costs, and a great many of the students taking the G.I. bill in community colleges attend in California. In that sense, it is fair to say that the bulk of this money did not flow back to the institution, but I suspect that here in Maryland more of it did because you have a fairly high tuition rate compared to the nation.

An essential question becomes how critical is this federal support of the nontuition costs for community college enrollment? In other words, if you cut out that money, that part of the money that is not necessary to pay the tuition but is being used to cover living costs, how many people would that affect? How much of an enrollment loss would you suffer? Well, I submit again, there is no real way to know but there would certainly be some enrollment impact.

I alert you, if you haven't been aware of it, that there is now a growing controversy in Washington surrounding the issue of the enrollment effects of federal aid. A recent paper by an economist, Lee Hanson, has done a very simple thing. He simply looked at the income distribution of students enrolled in 1972, in all colleges nationally, and he looked at the income distribution of students enrolled in 1980. He rather naively suggests that with all of the student aid aimed at low income students, one might expect a higher percentage of low income students to be enrolled in 1980. He finds, however, that the percentages have been just about as solid as a rock, with no increase in enrollment of low income students. He concludes that all that student aid has done is simply substitute public for private money, that behavior has not been affected. In essence, people would have been enrolled

without this aid, and they would have been enrolled drawing on their own resources.

Such data is not exactly the right kind of thing to be putting out in the public arena if you're a supporter of student aid in this particular administration. The American Council on Education and the various associations are very upset because the paper did get bucked up all the way to the Under Secretary of Education level with a little note saying, "You will be interested in the findings of this paper for the budget debates." It is very likely that we will see this argument coming back at us in the budget proposals for fiscal 1984, and it might behoove you to respond to the analysis because probably the biggest enrollment inducing effect of federal student aid in getting people to go to college as opposed to influencing where they go, has been in the community colleges. I think your institutions have the most information to contribute to an analysis suggesting where Hanson may be all wet because I think a number of your students are able to attend primarily because of that aid and would not be able to attend without it. In the private sector and the four-year sector, all of this aid has probably done more to shuffle where people attend than to bring them into the system. This type of research is something to keep an eye on.

With this background of the significance of federal aid, what is the situation in Maryland as to the support by various sources? Again in fiscal 1979, you reported to NCES that about 23 percent of your support came from tuition, about 35 percent from state aid, 28 percent from local government, 7.3 percent from other sources and about 6.4 percent from the federal government. So compared to the national average, your tuition is

substantially higher than average, although when you take California out, the national average for tuition actually goes up to 18 percent.

Returning to the subject of federalism, in 1983 about 81 billion dollars in federal grants in aid flowed from the federal government to the states. That's about 2.4 percent of GNP. The high point as a percent of the GNP was actually reached in 1980 at about 3.7 percent. The Reagan proposals in the '83 budget would have driven this grant in aid component down to about 1.8 percent of GNP. Then there is the rather cumbersome swap arrangement that has been proposed. This whole business of drawing a clear line and making swaps between federal and state responsibilities and also the proposal for turnback of a number of categorical aid program is, in my opinion, in trouble. The proposals do not seem to be going anywhere now, and it is unclear particularly what revenue sources would be turned back. It's very easy to talk about turning back responsibility to the states for financing various activities, but I have found the administration to be a little less clear about what revenue sources it is they are going to provide to the states to support these programs. A proposal has been put forth to set up a trust fund that would run for five years and then expire. The states would then be allowed to pick up what they wish of these programs. Again, this proposal seems to be more like "pie in the sky" than anything realistic.

I have a hard time avoiding the conclusions that Reagan's "New Federalism" is really anything more than an effort to cut back the size and scope of federal spending, leaving the states with increased responsibilities and reduced revenues. I have had a hard time getting very excited about some of the vast theoretical disputes. Perhaps this is because in every step he has taken thus far toward consolidation, he has always used the proposed

consolidation as a vehicle to simultaneously try to cut the spending level by 25 percent or more. I see the "New Federalism" primarily as a device, and initially a very effective one, for making some fairly wrenching changes in federal-state relationships.

The real threat to federal aid to education comes not from this "New Federalism" but from something that's already enacted--the 1981 tax cut. This cut, combined with Reagan's proposal for increased outlays for defense, the inability to bring social security under any kind of control, and the growing interest on the national debt all threaten the ability to support financial aid. When you look at the components of the federal budget that go now to defense, social security, medicare, medicaid and interest, the amount that is left, the discretionary parts of the non-defense budget, are simply squeezed unmercifully. We are seeing right now the projections of really rather horrendous federal deficits, which in the current setting are not desirable economic policies. That, I think, is where the pressure on student aid is going to come from in the direct sense. This is because of the failure of the naive supply side economics that we were hearing so much about a year and a half ago. The tax cuts were supposed to bring forth magically such a burst of labor supply and new investment that they would generate enough growth so that the tax cuts would pay for themselves. Most people didn't believe that. It's amazing to me that we actually got to the point where we more or less gave this approach an experimental try. This approach has been shown by itself and on its face to be clearly wrong. It's a part of the picture, but by no means the full picture. As a result, we continue to be faced with deficit projections and with their impact on the Federal Reserve policy. The real

crunch is the interest rates that we're facing, and the Federal Reserve is simply not going to ease off too much more on interest rates as long as they see this deficit looming on the horizon. All of these factors combined are placing the squeeze on discretionary programs, in general, and the squeeze on programs that provide aid to the states.

Now what's the outlook for student aid in the short run? We're in a funny sort of equilibrium situation. Congress simply will not accept the kind of draconian budget cuts that the administration is putting forth. We'll see Reagan propose such cuts again. I don't know what shape the '84 budget proposals will be, but I'm convinced we'll see another set of proposals with elimination of half of the programs and sharp reductions of Pell Grants, etc. The Congress, I think, will not accept these proposals. In 1982 they didn't. Just this week, the House Appropriations Committee, with almost no debate, passed by a lopsided figure appropriations that provided the student aid programs with essentially level funding from last year's level. Similarly, because Congress is not likely to increase the outlays for student aid and therefore the status quo becomes the only point of equilibrium between Congress and the administration, I think we'll be stuck at the current level for the next couple of years. Of course that does mean a steady drop in the real purchasing power of student aid.

Perhaps the more serious problem that most people felt had a big effect this year on college enrollment was the confusion and uncertainty about student aid. What was going to be available? A lot of people apparently read about the President's proposals and believed those were already the law of the land. As a result they just didn't apply for college or applied to lower cost

institutions. We're sorting out the results of the confusion that was created by all the press attention rather than by the actual cuts that might have occurred.

From all of this, I guess the central conclusion that I draw is that the role of state government and the importance of state support in higher education is simply going to increase, even if Reagan's version of the "New Federalism" isn't adopted, as I suspect it will not be. I certainly don't see any new round of expansion of spending coming from the federal level. We'll be fortunate to just hold the level of federal support fixed. I think that in all of the discussions about dividing responsibilities among the levels of government, we can't lose sight of the far more important need, the need to regain economic growth. That's really the key issue. We've got to get the country growing again. We've got to get the revenues at various levels of government on the upswing again. That is really the issue more important than all the high faluting talk about how the "New Federalism" is going to set the standard for higher education for the next decade. I wish I could be more optimistic than I am that we've got the ability to get the economy rekindled, but that's the thing ultimately to keep your eye on. Getting detoured into a kind of ideological discussion about "New Federalism" is really just to generate a lot of wasted effort.

HIGHER EDUCATION FUNDING PRIORITIES FOR THE STATE

The Honorable Laurence Levitan, Chairman, Senate Budget and Taxation Committee

When I first came to the Legislature in 1970, I was on John Hargreave's House of Representatives Appropriations Committee. Then I moved across the hall to the Senate. It has recently been decided that I will remain as chairman of the Senate Budget and Taxation Committees for the next four years. Appearing before our committee, which has a lot of independent thinking senators, is always a thrill. We've tried to deal fairly with the community colleges and higher education in general. We recognize the importance of community colleges, especially today. You're very fortunate to be on a fixed formula for your aid. I assume at this point that the state is going to face a deficit for fiscal '84. Certainly if the economy doesn't improve, it could be disastrous. The Governor has requested that his "marks" be reduced, and again, if you're living on a formula as community colleges are, the situation will not be nearly as bad. If it really gets tight, it might come to a point where some of the fixed formulas would have to be reduced but we hope that doesn't happen.

The federal government, as we know, is cutting back, but they can't seem to pass a budget. They have these continuing resolutions, another one of which comes up in a couple of weeks, to see if they can continue running the federal government. The inability of the feds to enact a budget makes it very tough on states and others that are counting on federal funds to determine what dollars they're going to get.

I do want to make everybody aware that the budget process in the State of Maryland is probably the most restrictive in the country as far as legislatures go. The Governor, as you know, submits the budget and the

Legislature can only cut an appropriation in the budget. We don't have the authority to increase the budget, and we do not have the authority to take what we've cut from one program and move it to another. I believe today with the efforts, time, and staff that the Legislature has that we're very capable and would like to have the role expanded to include permitting reallocation after we've cut. Such a change in legislative role would require a constitutional amendment. Whenever such an amendment is introduced, the Governor will come down and the Controller will come over and tell us how easy we have it under the present system. Now, when somebody comes to us and wants aid, we tell them there's nothing we can do. All we can do is try not to cut the money that has been put in the budget for that particular program. While it is an easy way out, the Legislature is capable of doing more. Maybe sometime in the future, the Legislature of the State of Maryland will get reallocation authority.

If you look around the country you will find some states are in tremendous financial difficulty. The Governor's office can always point to those and say those are cases where the Legislature has more input or where the Legislature establishes the budget. Nonetheless, I think that the first step for Maryland would be just to allow the Legislature to reallocate the item without, of course, increasing the budget or causing a situation where the State of Maryland would not have a balanced budget. The balanced budget requirement in this State is the key factor in our financial success over the years.

With regard to the community college system, we've seen that enrollment

pressures are growing tremendously because of the inability of students to afford to go to four-year colleges because of the tremendous cost involved. Therefore, students are going to community colleges in greater numbers. In addition to that, we find the federal government is cutting back on its scholarship programs. I believe three programs have been eliminated already, and the Reagan administration is talking about reducing aid to an additional three programs. The three that are proposed for reduction are the Pell Grants, the College Work Study program, and the BOE grants. As these funds are reduced, the pressures fall more and more on the community colleges to educate the students.

In addition to that, we find that in higher education in general that the State of Maryland does have a lot of four-year colleges and that probably at least a few of them should be closed and consolidated. Closing an institution is a very tough battle, and we never seem to be able to bite that particular bullet. We do know that a committee was looking last week at the excess space at Bowie to try to determine what use we should make of it. Maybe the community college system could move into some of that space and possibly use it for educational purposes or continuing education programs and for helping those in the community at large. With funds becoming tighter all the time, we really are going to have to take a look at some of the colleges where the cost per student is excessive and where enrollments are down. Perhaps the real bottom line is that they should be closed, but no one has the ability to effect a closing. The legislators don't have the ability to really look at the institutions because of political pressures and decide which should be closed and which should be consolidated. I believe that this is an issue we

will have to face, and I hope that within the next four years we may be able to develop some constructive solutions to these problems.

The other point that I want to make relates to the funding situation for community colleges. Many states have a flat amount they will pay a community college which is not increased if enrollment exceeds a given level. In Maryland, because of the formula funding, when you have an over-enrollment during the year, the state will come along and pick up the deficiency. The state supported the extra enrollment last year, and I guess they'll do the same this year so that the college is not stuck at the end of the year if enrollment exceeds its expectations.

I want to indicate that Clarence Blount, who is certainly a friend of education, will continue to chair the subcommittee dealing with education. Nancy Kopp, chair of the House Appropriations Subcommittee on Education and Human Resources in the House, is also a friend of education. Because community colleges are community based, you find that the legislators in those jurisdictions that have community colleges are very supportive of the system. This local support has been one of the prime reasons that the system has succeeded, at least in

terms of getting dollars from the State of Maryland. Support will continue although we are faced with a very bleak two years to come. The Legislature hoped over the year that the economy would turn around. Right now we're dealing with the 1984 budget which means, in effect, that we're projecting what's going to happen a year and a half from now. So we all hope to be pleasantly surprised, as we used to be when the economy picked up, when sales tax and income tax revenues picked up; and we ended the years with substantial surpluses. That happened for a number of years in the mid 70's. The arm of

the Legislature that prepares financial projections is the Department of Fiscal Services. In the past they would always project a bleak future; but when the next fiscal year ended, we would find ourselves with a substantial surplus. I don't think the surplus is going to materialize over the next few years. Things are going to be tight so I guess we all have to pull in our belts a little bit. I would hope there is no attempt to change the formula we're working with at the community colleges, since these institutions have a tremendous role to play. Many more students are turning to them for their basic higher education. I look forward to working with you all in the next four years and hope that together we can solve the problems that face us.

The Honorable Nancy Kopp, Chairman, House Appropriations Subcommittee on Education and Human Resources

I would like to touch briefly on a few issues--both funding and programmatic--that are of particular concern to members of both houses of the Legislature.

The context, I think we all agree, is one of limited, if not declining, resources. This limitation leads to a range of concerns about our ability to maintain or enhance quality of institutions and programs. It also leads to tension and conflict among institutions, academicians and communities who hitherto have been able to avoid conflict as they now begin to vie for these scarce resources.

To some extent, as the previous speakers have said, the community college segment is very fortunate; your funding, as opposed to the funding of the

other segments, is formula-based. You have been able to avoid unnecessary conflict because the Legislature and the Governor have usually followed the formula; as enrollment has gone up, funding has gone up. (Although I must admit that the State has once or twice kept expenditures level by simply not funding all of the excess costs generated by unexpectedly high enrollments.) Naturally, however, this unique situation which sets off your formula-funded segments from the others and assures your segment of funding also sets it off as a target for question and probing. One concern is that this enrollment-driven formula serves in times of very limited resources as an incentive to growth for the sake of growth, for the sake of enhancing funding, and not necessarily to enhance quality or to respond to specific direct needs of the community. This is a concern which will be raised more and more often in Annapolis, as total available resources are constrained, or even reduced.

Another more sympathetic question is whether an FTE-based formula, in fact, can respond to the various and changing institutional and community demands and needs. It obviously responds fairly well to the goal of open access, if by this we mean merely the ability to enroll anybody who wants to enroll. But there are other goals as well, such as providing for particular needs of part-time students, small colleges, remedial and other high-cost programs, etc. Thus, I think the adequacy of an FTE formula is to be questioned, even in regard to your segment, in which enrollment is still increasing.

The formula also leads to disputes between local communities. It has already. We've heard from the small community colleges with their special needs. Now other community colleges with needs in other high cost areas--such as remedial education--are coming forward. I fear we will hear more

frequently of particular needs from particular communities causing problems and conflicts not seen thus far.

Another cause for concern, despite the existence of the formula, is that--because of fiscal constraints--one or more local governments may decide not to fund their share of the cost of the community college. Certain local governments have been hurt much more than others by federal cuts. What if they decide that funding community colleges is not as high a priority as it once was? This may, perhaps, be a legitimate decision for a local government to make. What will the response of the State be? This question will be addressed, I assume, later in the afternoon. From our perspective in Annapolis, while we do not have a ready answer, it is one more cause for concern over the next four years.

A somewhat more particular concern, as we join in supporting the community colleges as tools for investment in human capital through training and retraining for a technological economy, is that minorities and women be encouraged to participate in this training along with the rest of the population. I realize that the average community college student at this time is a 29-year old woman, but this does not necessarily mean that the prime beneficiary of the training for high technology employment is going to be that 29-year old woman. This issue of equity is another significant cause for concern and conflict.

All of these items, and many more, are concerns which will be raised, I believe, with greater and greater frequency in Annapolis. Let me tell you briefly what our committees have done in the recent past to address these concerns. As you will see, the effort has only begun--the problems recognized, but the solutions far down the road.

Higher Education Funding Priorities for the State

First, we have commissioned and received, from the State Board for Higher Education, a range of studies dealings with a variety of issues. One study is a projection of future enrollment trends divided by sector and by occupation. We understand how tentative these projections are. We understand that you can't plot decades ahead what jobs are going to be needed; but clearly whatever information we can get is very useful. We do have a problem, though perhaps not as severe in your segment as in the others, of both declining and quickly shifting enrollment, leading to overly high overhead and fixed costs in departments facing declining enrollments. Meanwhile, waiting lists exist for other departments, which are not adequately staffed or equipped. These projections should help to establish procedures to even out these disparities in the future.

We have also called for a special committee and study of the present and projected availability of student financial aid, a problem crucial both to institutions and to individual students. I believe that we are prepared to act when a good survey and report is presented.

Another commissioned study underway is an examination of "indicators of stress" for both institutions and parts of institutions. What are the indicators which should flag an institution, or a program, facing problems that may threaten its health, or even its survival, in the immediate future? Can a reliable system of indicators and responses be established? This obviously is a very delicate area. I believe very firmly, and I'm sure you do, that politicians should not intervene directly in management of institutions or in any way threaten academic freedom. On the other hand, if the State taxpayer is going to be asked to rescue a financially-ailing Peabody

Institute, or a University of Baltimore, (or even an institution in your segment because the local government no longer can afford to carry its share), we ought to know about it as early as possible, and we ought to know about the problems that might result.

These are the sort of studies that we've requested. In commissioning these studies, we are trying to elicit information and policy alternatives from the educational community, rather than imposing them upon the community. This is not an easy thing to do, but I think it's the right thing to do and the right way to do it. These studies will provide the basis for an ongoing discussion and action, now in only its beginning stages.

In the next 36 months, the Legislature will be looking at these difficult questions and concerns. These questions and responses will be reflected in the budget. They will be reflected in legislation and they will be reflected in the actions of the Legislature as an oversight agency.

They are difficult issues and present complex alternative responses. My purpose in being here with you today is to indicate that the Legislature, which places a very high priority on education, is pledged to facing these problems together with you in a productive, positive way, to work together for the betterment of the State, for higher education and for each of the segments of higher education. I hope that you can carry that message back and remember it in the coming months. I am sure that there are going to be moments at which you will ask whether we're at all positive or productive or in the least bit friendly. I assure you that we are.

PROGRAM AND BUDGET
PRIORITIES AT THE LOCAL LEVEL

Mr. Bruce Talley, Associate Director, National Association of Counties

What I prefer to do rather than go through a whole outline of some chronological advance of the "New Federalism" issue is to possibly hit some of the highlight areas. We went through 1981 and 1982 treating the "New Federalism" discussions as an academic exercise. I think we all need to understand that the issue is going to be with us whether it's the "New Federalism" as the initiative that we have seen since the President's state of the union message last January 20 or whether now it's de facto "New Federalism," which to a large part we already have.

For a moment, pretend you are at a cocktail party. The first question of discussion is, "What the hell is "New Federalism?" You will note quite a series of different answers. Is it a sunset device for categoricals? Is it a regulatory reform measure? Is it a veiled budgetary reduction device? Regardless of how we define it, we've got to recognize that the "New Federalism" is a very, very sincere political philosophy on the part of the President. It's basically an attitude on the part of this administration that however interim a transition phase you go through, that the legitimate role of the federal government is only to be in interstate commerce and foreign affairs. Consequently, from the local government perspective, the federal government, through the "New Federalism" initiative and the budgetary reductions, is basically going to serve a role for some period of time as a marriage counselor between the state and local governments. We learned under the 1981 Reconciliation Act and the 1982 budget cuts and ERTA and TETRA, and all the tax initiatives, that one significant thing was happening. The

domestic sector in each of those four major activities was taking a disproportionally larger amount of cuts than the other major items in the federal budget. This trend is going to continue through the 1983 cuts and into the 1984 fiscal year budget which will be unveiled probably around the second or third week in January. With this administration there is a very simple reason for these reductions. They're committed to increasing defense. The entitlement programs can't be reduced because they are entitlements and tied directly to inflation, and interest on the national debt is running more than 100 billion dollars a year. When you look at the budget there's little room to cut unless it is in the domestic sector.

The "New Federalism" is suggesting that there are a number of areas in which the federal government does not have a role. One of them is education. Transportation is now being looked at from the gas tax level because of an infrastructure problem that both the public and private sectors perceive as hindering them in economic development. Consequently, we're going to implement a five percent increase in the gas tax, which will pass in the next ten to fifteen days. There'll be some juggling as to formulas for use of the tax revenues collected, but primarily the tax is being considered because there is a job creation necessity that has to be addressed. At the same time, the need to create jobs will be looked at as a possible vehicle to test whether or not things like the Davis Bacon Act should be relaxed, which of course will raise the ire of the union community. The administration will throw back on the Democrats the possibility that if you relax Davis Bacon you can pick up another 20-25,000 jobs with this five percent gas tax.

We're going to start running everything under the rubric of "New

Federalism." Now, "New Federalism" is not new. When this country began, we started off with something called "State Centered Federalism." Then we went to "Dual Federalism." Then we went to "Cooperative Federalism," then to "Creative Federalism." Each one was a progression. And if you look at "New Federalism," which was first coined by President Nixon in 1970, we've come full circle back to where this Governor-President thinks we ought to be--state-centered federalism. The states and local governments and their political subdivisions and organizational entities are creatures of that state. I'm not sure that state-centered federalism is the right way to go because we have spoken with the administration for one year, ad nauseum, that what we have is an interdependent federal system. We need to begin by establishing the appropriate role of each level of government. Once you establish whether or not transportation is a good thing for the public sector to be in, then who should be assigned responsibility for providing that service? What appropriate level of government? Having made these decisions, then you assign and give authority to that level of government to utilize the most appropriate tax base. There's no doubt that in a rapid period of inflation the federal government makes out like a bandit because it has access to the progressive income tax. State and local governments in an inflationary spiral do not do well proportionately because their tax structures tend to be more regressive. So, what we are ending up with and will continue for the next two years is that state and local governments are being given authority to do more with less resources.

In the "New Federalism" initiative, the President pledged that simultaneous with return of authority and responsibility for certain types of services to the states, there would also be a commensurate level of revenue

resources returned. The problem was that those resources were generated from different tax bases.

If, in fact, the federal government vacates excise taxes and allows state and local governments tax room to pick up to the level that the federal government vacates, local governments do not have, by and large, access to those various tax entities. We do not have an ability to issue our own sales tax in many instances.

Therefore, the question being asked at the state and local level is, "What will the New Federalism restructuring do to our ability to provide services for which we are currently responsible?" We were talking at lunch today about the general revenue sharing program. That is going to be one that is going to be highly targeted for a great amount of concern in the 98th Congress. When that program started in 1972, it was floated as a tax stabilization measure, almost an equalization type of program that would handle fiscal disparities among the states. Now, almost all revenue sharing monies in most communities are ingrained in their operating budgets. A lot of the revenue sharing money in particular goes to the education community. That's why we have strong expression on the part of that community to assist us in reauthorizing that program. We also have other things to worry about. The programs that are proposed to be turned back--community development block grants, revenue sharing, EPA 201 and the like--represent about 90 percent direct federal local money available in the domestic sector. If you sever those programs, you sever that direct federal local tie. Most communities over the past number of years have had to seek support from the federal government simply because the

service demands far exceeded local government's tax capacity or state capacity base. I'm not saying that's good or bad but the quick severance without transitional time is going to cause major disruptive problems.

I have summarized quickly what the "New Federalism" will do. Everyone is saying we have lived through it for years of debate; what's going to happen now? I will provide you with some of my hypotheses. First, the swap component that involves Aid to Families with Dependent Children, food stamps, medicaid, and a very, very large trust fund being transferred to the state government will not see the light of day. The Reagan administration had a better chance before the last elections to try to run that proposal through Congress. However, Congress at that time was not receptive to entertaining this type of omnibus legislation. Second, you will see a proposed expanded general revenue sharing program possibly into the block grant area or megablock, as it were, that would serve the same purpose as the "New Federalism" trust fund. A number of categorical programs will be folded into it, expanded, made more flexible and go direct federal-local for those activities and categoricals that were federal-local. What does that mean for your community? It means that all the requirements tied to the general revenue sharing program will be tied to this trust fund or block grant, which means that the citizen participation elements come in along with the whole local government budgetary process. What I'm saying is, although federal dollars initially flowed directly to your community, a lot of these dollars are now going to be rechanneled. You can't get all you want at once, you get pieces of resources at a time.

In the federal picture, one of the things the administration wants is to cut down its total number of accounts. If you can't run e[illegible]rything through

the State, you run everything through the next sub-level below the State and put those things in. What I'm saying is that to obtain a lot of the money that used to flow directly federal-local, you may now be forced to participate in the public hearing part of your local government to get a part of a megablock instead. I think that has a very, very good chance of passing. The concept of block grants is very popular because you can do two things with a block grant. You can consolidate and sunset a number of categorical grant programs that are inefficient to run separately. There are over 497 of them on the books. At the same time, by going to a block grant the monies can be treated by state and local governments to a large degree as own source revenues. This means you have unladen them with a number of regulatory requirements and statutory requirements that tend to use part of that dollar. For that reason, the block grant concept is going to be very popular and can be handled by Congress.

This Congress is a new Congress burdened with an old system. The "New Federalism" initiative, the last time we went through it, didn't have a chance outside of an academic debate. The Congress of the United States is not set up to handle structurally that type of omnibus legislation unless everyone is willing to give up jurisdiction from their separate authorizing committees to one committee. That's not going to happen. However, implementation of portions of the "New Federalism" initiative is a likely possibility.

Program and Budget Priorities at the Local Level

The Honorable J. Hugh Nichols, Howard County Executive

To get the audience's attention when you begin a speech you're supposed to tell a funny story or tell a harsh truth. I have selected the harsh truth. Higher education as an institution is not a very high local funding priority. I bet you won't find a local county official in the State of Maryland who will disagree with that. It's a very complex issue, though, and we don't have time to talk about what the law says in terms of the percentages of allocation from the State, the local level, the student, and what we get from the federal government for community college education. It would take much more time than we have, and I'm sure other speakers have addressed that subject much better than I could.

I wish a lot of you could have heard Jim Rouse from our County who recently spoke about the impact of the federal actions, state actions, and the overall fiscal situation on all public services, not just education. I certainly won't attempt to repeat his speech, but one of the things he said is especially important. There will not be dollar for dollar state replacement for federal budget cuts. There will not be dollar for dollar local or private replacement for state or federal budget cuts. If that were going to happen, we wouldn't be addressing a problem at all today. We wouldn't be addressing the problem that resulted in the budget cuts in the first place. If that did happen, it would be a little like the teenager who gets an allowance reduction from his mom because the budget's tight and runs over to dad and expects dad to make up the allowance reduction dollar for dollar. It just doesn't happen that way. There have to be some fresh looks at the way we provide public

services; there have to be some evaluations and reevaluations. Budget cuts at the federal level were a perceived necessity by the voice of the voters all over the country. Local officials, community college officials--we are all joined together in this one--we may all scream to high heaven about the budget reductions; but any of those local elected officials are probably wise enough to have known that the voter's voice is not indiscriminate. Dollar for dollar won't work. It applies at all levels of government, and new ways have to be developed.

Let's talk about some of the new ways; let's raise some questions first and then talk about some of the new ways. How did we get to where we are? Why are we where we are? Elected officials love to be loved. They like to be liked. You folks took advantage of that. Now obviously you weren't by yourself. Every program manager I know takes advantage of this fact. They know that in order to get something out of elected officials they must build a constituency out there that says you'll make us love you if you give us something. That's been going on for a long, long time. It has resulted in the presentation of budgets and the development of formulae so that they become couched in terms of how much does it take to do something? That's the argument we hear--a resource utilization argument. How many classroom hours does it take to produce a year of college education? How many dollars worth of books does it take? How many dollars worth of physical facilities does it take? Another way of looking at the same issue is to ask, "How many years of college education can we produce for the limited number of resources that we have available?" That's a resource allocation argument. I think, perhaps, we worry a little too much about what it takes to do something and not enough

about what we can do with what we have. That's probably what has resulted in the situation we have today.

Second reason that we are where we are. I don't think that anyone in recent years has really dared to address seriously the problem of who benefits from and who pays for higher education. We go blithely along under the assumption that if we have a publicly operated school or publicly operated institution then the public pays. But I don't think it necessarily has to work that way. This is even a tougher question than the first question I raised. There is no way that we can address the total question of public responsibility for higher education or even community college education in one day or a week or perhaps a year. I know that everyone of you here would want at least one hour to state your opinion and perhaps to argue about my opinion if I gave it to you. But I think that the benefits issue probably does need re-addressing, and I think that the current era of fiscal constraint is going to force us to address that issue more realistically.

Let's talk for a moment about where we go from where we are. I guess the first thing I have to say, and it's like the rude awakening in the beginning, is that I don't think that we can go to local government for any larger bites. Local government has been eaten up. By the time they get through financing kindergarten through grade 12, they don't have much ability to finance additional education. We have to start thinking about resource allocation internally. How much can we produce with what we have and how can we produce more with what we have? How can we produce better with what we have? We have to start thinking about who benefits and who pays. We have to think about how the beneficiaries can pay. Is it the county that benefits the

most? Is it the state that benefits the most? Is it the world and society at large that benefit the most? Who really does receive the benefits of higher education, and what are the priorities in giving those benefits?

We can have open education, but instead of having our parents pay for our open education, we can pay for it ourselves; and we should. People say that education helps society, and it does. But isn't it one of our individual obligations to help society ourselves? I think it is. If there are instances where an individual shouldn't pay his own way for whatever reason, there are governmental techniques and there are institutions. There are always the exceptions to prove the rule so that special awards or provisions must be made.

We don't have to destroy our system to recover from where we are; we just have to put it on a more accountable and self-sustaining basis. Some people can afford to pay their education costs up front. Let them do it. Maybe some people should be supported by government or by an institution, and let them be supported on an individual basis--supporting only persons who need the support. Maybe some higher education functions can appropriately be contracted. Maybe there are things that higher institutions and community colleges can and should do by contract that support that institution and what it does for society. Let that be. What's left? A lot of people are left. What's left are those people who we say deserve an opportunity for higher education, but still can't afford it. Do they deserve it because of what they are going to do for the public in the future? Do they deserve it because of what it will do for them? I'm talking about do they deserve an opportunity--not the higher education, but the opportunity for it. I have to ask another question. Does it really matter, when it comes to financing,

whether they deserve that opportunity because of what they can do for the public, or because of what they can do for themselves? When they do something for themselves, they do do something for us as a society. I think that higher education, at least the public benefit portion, is a lot bigger than local government. Probably bigger than state government. It certainly approaches our national level.

Many of you are familiar with some of Maryland's experiments. In the days when I was in the Legislature, we had something called the Patuxent Institute for Defective Delinquents, which was a research project in correctional rehabilitation and treatment. It was paid for at significant expense by the State of Maryland. I argued bitterly that it should not have been paid for by the people of the State because it was producing a product that benefited not only the United States but the entire world and should have been paid for by a larger base of people. So, eventually the Patuxent Institute for Defective Delinquents was changed, and it no longer expends that kind of money for that purpose because we didn't think it was a wise expenditure of Marylanders' tax dollars.

A solution to the "who pays, who benefits" issue in higher education, if we really want to provide an open opportunity and let the people who are going to benefit pay for it, may be the establishment of a national loan fund. Let the only requirement to draw down on that fund for educational purposes be that you hold in your possession a social security number. Let everybody know that whenever a person uses the fund they're going to pay twice as much as everybody else does in social security deductions until that educational bill is paid for. Now, the monies would not be tied into the existing social

security system, for goodness sakes; the last thing I would want to do is to say you're going to pay for education out of existing social security funds. Extra withholding from wages or salaries is just a mechanism for tying it together, but has nothing to do with basic social security. This proposal has lots of implications, of course, because we know millions of federal employees are not in the social security system; but if we had something to get them enrolled, it might help the entire social security system as well. There are many administrative problems, too, but perhaps these are not insurmountable.

If you had something like the system I'm proposing, what would it do for you? It wouldn't take away anybody's freedom of choice as to payment. You could still pay up front if you wanted or you could use the deferred payment system if you wanted. The system would provide open, complete, and total opportunities for higher education for anybody who would like to attend. Also, it would permit the cost of higher education to gradually shift away from county government. The person who most directly benefits would also be the person who pays, except in those cases where a person is willing to pay up front or there is a conscious public decision, institutional or governmental, to pay for somebody's education for a specific purpose. We all know there are times when those decisions are made by institutions or by the public.

In conclusion, future financing for Maryland's community colleges and perhaps for all of America's higher education is contingent upon some kind of new thinking, on some kind of new resource allocation as well as cost allocation.

Program and Budget Priorities at the Local Level

The Honorable George Grier, Administrative Assistant to the
County Commissioners of Carroll County

Most of you are aware that we had an election a month or so ago, and I've tried to determine whether this election on a local level was any different from the nine I had known as a county administrator. As a result of the recent election for County Commissioners in Carroll County, we found that we had three brand new commissioners. Now this has happened before, and there didn't seem to be any real unrest that we could detect before the election. This (the lack of unrest) has not been the case before. There seemed to be as much interest in this election as there has been in prior years. We had 22 candidates in the primary election and in the general election we had six, plus a write-in, plus an independent. That's about par with the past elections that we've had. There's 10 percent unemployment at this time in our county--in fact, a little more than that. This was not the case in any of the other elections that we've had in recent times in Carroll County. The candidates were all, for the most part, very well qualified; in fact, one of the winners is a professor at a Maryland community college.

This all adds up to the fact that I see no influence of "New Federalism" in a local election. I see no one key issue which was focused on as a reason for one candidate winning over another. This may not have been the case in your particular county, however. Yet, there's no doubt that the priorities in the local government are going to be affected by "New Federalism." Priorities are going to be affected by the current national recession. Priorities are going to be affected by changes in revenue allocations both on the federal and on the state side, and this includes a possible change in revenue sharing--an

important source of funds that all local governments have gotten used to. And the priorities may be affected by a brand new State Legislature and in many of our cases, a brand new local government. I believe these changes in priorities probably will be noticed more in the 1983-84 fiscal year than they have in the past.

You read the headlines in the Thanksgiving newspaper that the State is expecting a 161 million dollar shortfall. And I doubt if Louis Goldstein can pull a last minute rabbit out of the hat as he has done in the past with those kinds of figures facing him. Congress has not rid itself of the continuing appropriation process, a matter which leaves state and local governments in a cloud of uncertainty. The 100 million dollars that we may benefit from in the State of Maryland as a result of the five-cent gasoline tax increase has helped one problem, but there are still many others that are going to be affected. We are not able to get unemployed people back to work in business or industry. That's one of the causes of concern, and one of the reasons that you have for holding this conference.

I think that you're aware that our community college in Carroll County is tied very closely with Catonsville Community College and has been since 1976. Each year we extend the contract with Catonsville for an additional year so that we have four year's notice in which to terminate the service by either party. We utilize two former schools for the College. We have a proposed capital program to provide for some structures on 200 acres of land that was purchased ten years ago for a future college plant. The FTE history has been pretty good in our opinion: 263 FTE's when we started, 633 estimated this year, and 735 projected next year. We believe this has been a very happy

marriage and beneficial for both parties. This is primarily because there is a lot of duplication that's not coming about in personnel, payroll, accounting, computer services, purchasing, counseling, processing of grants, and things of that nature. The exchange in pupils between the County and Catonsville has enabled many of the students in Carroll County to attend classes that otherwise may not have been available if we had not had this arrangement with our Catonsville friends across the line. Now why did I tell you this? Because we in Carroll County are much better off to continue through the 80's our current support of the community college in light of this unique start as a "contract" college.

Who are your competitors for the tax dollars? Public elementary and secondary education has been a top priority for a long while. It takes the largest chunk of money out of any local budget and it will continue to be the highest of priorities. Public works, which is very important in this day and age, has always been a stepchild to education and has to fight for the dollars to keep up its budget, its storm drains, its roads. Within the last five to ten years, crime has reared its head and its cost in manpower, police training, and capital projects are beginning to become staggering. Social problems appear to be a question mark right at this time in our local budget. What shortages are going to be incurred by the increase of the jobless in our County? What pressures will be brought to bear by jobless people who are hungry and cold? The effects of joblessness are not quite clear to us at this time. Inflation has been one of your competitors in the past. This may not be the force it was five years ago, although some prognosticators are calling for inflation to rise again along with interest rates.

Program and Budget Priorities at the Local Level

I talked to several local officials throughout the State of Maryland about their community college and where it fits into their agenda. In a nutshell, this is what they say. We've gone about as far as we can go with funding our community colleges. I don't think we're going any further into the liberal arts area when local liberal arts colleges in the area are hurting for students. Yes, we may reach in our pocket, but only if unemployment keeps on spiraling and community colleges prove they can help out. We like the idea of pulling industry into a compact with the community colleges both for training and possible employment of those trainees. Public school systems are not going to be sacrificed to the extent of taking money from that source for the community college. We may be willing to provide some match funds to be made available for short term training of unemployed. And finally, if industry rallies around the concept of training programs for the unemployed, our economic development unit will be asked to provide special coordinating efforts between industry and community colleges.

No one county, no one group of counties will necessarily perceive the same needs. We find this out as we talk to various officials around the State. For example, Wor Wic may have a different assessment of the needs than Harford Community College in Harford County. Baltimore County has new viewpoints as probably does Montgomery County. There seems to be a consensus developing during this period of greater than 10 percent unemployment that technical type instruction is an even higher priority than in the past. There seems to be greater emphasis on pulling in industry as a team not only to help industry but to help the unemployed.

What are the alternatives that might be available to local governments to

encourage technological training? Certainly one of the alternatives could be a provision of money above the 28 percent of community college budgets that most counties are furnishing now. A second alternative would be matching grants including several federal funds allocated like Pell and other grants to aid in the training of the unemployed. A third alternative might be reduction in the current liberal arts allocations, to reinforce the need for additional funds being placed in the technical and vocational programs. Another might be the requesting of contracts with existing liberal arts colleges to provide some of these services, which at the same time would help the limping small class sizes and problems of some of these colleges. Another alternative might be the lending of support by greater allocations to the occupational training programs by requesting greater emphasis of those funds for community colleges for short term training of the unemployed.

There seems no better opportunity or time for local governments and community colleges to form a team to tackle the unemployment woes. I doubt that we've seen the peak of unemployment in this State yet. The college has the expertise and the program of instruction. It has the administrative structure to cope with most any instructional effort. The County has the political wherewithal to rally its economic development areas to act as an effective team member. The college has the skeleton already in place for technical or professional training. The County can reach into areas sometimes unavailable to the community colleges for such things as temporary or special funding contracts or special agreements, as well as the public support areas.

Your key to a successful future may be what I hear from one public official in a Maryland county. He states, "Our community college president

doesn't put the burden on us; in contrast, our superintendent of schools constantly puts the squeeze and the blame on us for budgetary woes." County commissioners, county executives, county council persons are human; they have the pulse of the community in their hands. They can be an effective tool, if you use them effectively.

The Honorable Barry Teach, County Administrator, Washington County

Times are tough, times are going to remain tough, and you as people associated with community colleges in Maryland are going to have to contend with that fact as are all agencies of local government. So, accepting that as a given, I'm not going to have any bright news for you. However, I'd like to explain a little about why we face tough times and why tough times will continue for the next few years. In doing so, I also plan to relate to you how the budget is approached in Washington County. While we have probably been more more conservative than other jurisdictions in the State in our budgeting practices, all of the governments in this state basically have the same framework in which to raise revenue, and they have very limited choices so far as their expenditures are concerned.

From fiscal year 1978 to fiscal year 1982, the general fund budget in Washington County increased from 28.2 million dollars to 38.4 million dollars. These were, in a sense, the best of times and the worst of times, although we did have high inflation in earlier years. Revenues were not a problem as they are today. Over that period of time the general fund expenditures in Washington County from which community college funding are

derived increased by 36 percent. That's slightly over seven percent per year. This increase is well below what the inflation rate was during that time and may be well below the rate at which other counties increased their spending levels during that time. The revenues for those expenditures came from two major sources--the real estate and personal property taxes which generate roughly 50 percent of our county's general fund. Within a percentage point or two the proportion of revenues received from this source is fairly consistent throughout the State. Thirty-two percent of our budget in the current fiscal year comes from the county income tax which is commonly known as the piggyback tax. These two sources of revenue, therefore, provide well over 80 percent of our budget. The remainder is generated from interest on investments, state shared taxes and grants, and some federal revenues. Currently, our county taxes income at 50 percent of the state income tax liability which is the maximum allowed by law. Nineteen or 20 of the 24 jurisdictions in the State are now at that level. So, for all practical purposes, unless the Legislature would see fit to change the law, and I don't really think that's in the cards in the near future, that source of revenue is totally dependent on the income which the people who live in your County make. Obviously, we know what the employment situation is now, so for most jurisdictions in the State, very modest increases in income tax revenues are in the cards for the next few years.

The property tax rate in our county is currently $1.98 per $100 of assessed evaluation. The Board of County Commissioners in Washington County has reduced the property tax rate to what is called the constant yield with which I'm sure most of you are familiar. Somewhat to the County's credit, at

least as far as some of our taxpayers are concerned, we are the one county in the State of Maryland which has been able to accomplish this without a mandate from the voters of the County to do so.

That's where the money comes from. Where do Maryland jurisdictions spend their money? Here's where Washington County spends its revenues: approximately 26 million of that 38 million general fund budget that I've mentioned to you goes to education. About 24.5 million of the 26 million goes to the Board of Education, and the remainder goes to our community college. Approximately one million dollars are spent for health services; slightly over one million dollars for public safety; approximately two million dollars for capital projects and public works; and about one and a half million dollars to retire county bonded indebtedness. Thus, for three or four general categories and objects of expenditure we spend more than 80 percent of our budget.

As I said, the County has taken a very conservative approach to budgeting. We are probably in a better financial situation now than many counties because of that. Also, it has been a policy of the board over the past six years to reduce the tax rate. In the last three years, departments have been instructed to place caps on budget requests. Full-time employment within the County has been held very, very steady with less than a five percent increase in employment in five years, most of that due primarily to increases that were pretty much mandated by increased law enforcement and court services. When the CETA program totally changed direction, our County only had two persons on the payroll who were under the CETA program; as a matter of fact, these persons had not really been built into any operating programs on which people had been dependent.

Program and Budget Priorities at the Local Level

How has our community college fared during these times? I take some issue with Mr. Nichols about priorities that have been assigned to community college funding. In fiscal year 1978, Washington County funded 28 percent of our junior college budget. In the fiscal year just ended, the County funded a little over 28 percent of the total budget for our community college. In the ensuing years, the percentage ranged as high as 31.5 percent. The community college budget in our County in the five years has increased by 38 percent, which is slightly over the total 36 percent increase in spending for the county that I mentioned to you a few moments ago. Now, the reasons for the relatively modest rate of increase in county support for the community college are varied. Obviously, as I think you know, the State has done a credible job of providing additional support to community colleges over the past several years although we would like to see the State do more. Also, our community college has very prudently seen fit to have modest tuition increases on two occasions which have also helped to generate revenues. Our county government, at least in the past several years, has considered the community college important. The county government has budgeted accordingly, but the County has been greatly helped by the fact that there have been adequate revenues available from other sources to support the college.

We have heard a lot of people talk about how local governments are going to be affected by reductions in federal spending. The primary programs that have benefited smaller counties have been federal grants, primarily for capital and public works projects, and even more importantly, the federal revenue sharing program. Most counties have deeply ingrained revenue sharing into their operating budgets. Our County is no different. Our revenue

sharing funds have been earmarked for the past ten years for the operation of our roads department and our landfill operation, not for education. I think I can say that if there was a substantial reduction or an elimination of the revenue sharing program it would have a devastating impact on the budgets of many of the medium and smaller-sized counties within the State of Maryland. This year, for instance, we received approximately 1,800,000 dollars in revenue sharing which is approximately five percent of our budget. Absent those funds we are going to do well to hold the line and a five percent reduction would be very, very difficult to contend with.

The real impact, I think we're going to see, will come through the effect of federal reductions in financial assistance to the State and the implications those reductions will have on state support to the counties in Maryland. Maryland is one of the leaders in the nation as regards government assistance to its local jurisdictions. In the areas of education, transportation, recreation, and outright sharing of certain state taxes, the counties in this State fare very, very well as opposed to their counterparts in some other areas of the country. Last year, almost 10 percent of our county's budget came from these sources. So, if there are substantial reductions that the State is not able to absorb, and I think it's clear that the state is not going to be able to totally absorb them, then there is going to be somewhat of a reduction in state assistance to county governments. Everybody is going to have to share that impact.

Another very obvious impact of federal programs relates to student aid programs. I'm sure you all are contending with these reductions right now. As a result of the reductions your enrollments may be jeopardized, which in turn is going to affect your state assistance and a number of other elements of your budget.

Program and Budget Priorities at the Local Level

The priorities of local government, which are not likely to change much, include the following: education, health, and public safety. In practical and political terms, and we can't forget the political aspect of it, it's very difficult to have any major reordering of priorities at the local government level. It's very difficult to tell parents that their child's school is going to be closed, for instance, even if enrollment dictates that it should be. It's very difficult, on the other hand, to tell parents that you're going to have to increase class sizes. It's very difficult to tell voters and taxpayers that you're going to reduce or eliminate certain direct health services, or that the police may not be able to respond nearly as quickly now as they could before because of cutbacks in revenues. What I'm saying, in very practical and political terms, is that options for program changes at the local level are very, very limited. Just as the choices for spending are limited, the choices for raising revenue are limited. I mentioned that the income tax is pretty well set by law. The property tax is the main source of local revenue that county governments in Maryland have to rely on, and this is one area where local governments may be able to slightly offset reductions in state and federal assistance that we're seeing. But that is a political choice that local government officials will have to make, and I'm sure you know that it's a very difficult one to make. Higher tuition and fees are something you folks are also going to have to consider.

I think the direction is clear, though, at least for the time being, that in the next few years state and local governments are going to have to rely less on Washington. There's going to have to be a hold-the-line approach to requests for spending and to decisions concerning spending. Local government is going to have to say "no" more often even though they may do so very reluctantly.

THE COMMUNITY COLLEGE RESPONSE

Mr. Glennon L. DeRoy, Trustee, Harford Community College

I'd like to begin my remarks with a message of cheer. When I was graduated from college in chemical engineering, if you got a job you were lucky to be a plumber's helper. If you were a civil engineer, you got to be a rod man on a surveying crew. Well, times do change, and hopefully these times will change. That's the message of cheer.

The present state of the community colleges of Maryland would seem to be very good. We have more students than ever before. We have more students than the other public colleges combined. On the national scale, the grant and loan programs have survived, so far, the determined and powerful attack of the present administration. Statewide, we have a new funding formula which has generated additional revenue over the past several years. Countywide, over the past four or five years Harford Community College has received a 73 percent increase in funds. So things look pretty good.

Apparently, we face less positive times ahead. The experts tell us that we're in for hard times. To illustrate, let me list the following: the 18-year old group will decrease by 25 percent by 1995; in Maryland it will decrease by 35 percent. Competition for funding for the many good programs that contribute to the quality of life will be intensive. The stated policy of the Reagan administration is that the loan and grant programs are, and I quote, "philosophically misguided." The end result of the "New Federalism" approach to government is uncertain and unsettling. The state enrollment-driven funding formula could cause a funding shortfall in a period of decreasing state enrollment.

The Community College Response

Before we examine more carefully these troublesome issues, let me remind you that the community colleges depend on four main sources, directly and indirectly, for their financial support. These include the federal government for loans and grants, and the state, the county, and the student tuition for operating funds. Capital and renovation funds are outside the purview of this paper.

Well, so much for prologue. Allow me to highlight several, but certainly not all of the difficulties education must face at the various levels of government and some possible actions that could be taken. At the federal level, loan and grant programs, to survive, must overcome at least three significant obstacles: the hostile administration policy position, limited resources, and competition from the other great programs. Parenthetically, allow me to define other good programs to include the social and entitlement programs and an adequate but not excessive defense program. Facing these obstacles, one would expect the programs of loans and grants to be in very serious difficulty. However, to the contrary, they are surviving. How can this be? The Congress overturned the administration recommendations for large reductions of these programs principally because of an overwhelming effort on the part of citizens, colleges, educational groups, and students. But the war is not won. The administration did manage a reduction of the funds in the programs, did win a reduction in the amount of the maximum grant. In addition, the President has challenged the constitutionality of the veto clause of the act which allows either House of Congress to veto proposed changes in eligibility.

So you see, the administration strategy is to fight the program from several positions. As a matter of principle, education is a local matter and

therefore should be funded locally. On the basis of principle and priority, education requires funding at the lowest level possible. As an administrative matter, write the bylaws so as to defeat the intent of the law. As a legal matter, challenge the constitutionality of the law or parts thereof. So it took an enormous mobilization campaign and lobbying effort to win the battle. Anyway, the war was won. Right? Wrong! The battle fought this year must be repeated next year and the next. These battles will need to be fought with the same if not greater effort and intensity each year as it was this year. It makes one wonder how long people will persevere.

Most of the educational groups in Maryland were represented and participated. Some were strange bedfellows indeed. Unions and management working together, for example. I understand that many colleges and universities participated in various ways. I don't recall that there was an organized effort by the community colleges in Maryland. I am reminded of a radio ad of the Donnelley advertising agency concerning advertising in the yellow pages. The announcer states, and I quote, "Your competition is there, but where are you?" However, it is not too late for the community colleges to become involved because, as I mentioned, there is next year, then the next year, and battles will need to be fought. Perhaps the Maryland Association of Community College Trustees should assume the watchdog role in coordinating needed actions. The local boards of trustees, presidents and college communities could keep abreast and actively support the action. In any case, these bodies could prepare resolutions, letters and/or telegrams and send them to the appropriate legislators.

Turning next to the state level, we find that in Maryland the climate is much more favorable for education than in many other states. The governor is

a strong advocate of education and has called the community college system excellent. The Baltimore Morning Sun had a very fine editorial on community colleges several days ago, and when the Sun speaks, Maryland listens. A number of the leaders of the Legislature are strong supporters. We're fortunate to have a strong State Board for Community Colleges and a fine staff. So the climate is good.

However, there are problems. The revenue picture is bad. The recession is causing sales tax and income tax revenues to grow at a rate well below the normal growth rate. As a result, the Governor has asked the University of Maryland, four-year colleges, and other agencies to resubmit their September budget at a lower level.

I would remind you that the community colleges' operating budgets are generated by what is essentially an enrollment-driven formula. An enrollment-driven formula is not generally considered a good vehicle for obtaining sufficient funds in periods of falling enrollment. Compound this with inflation and rising operating costs and it would seem that more resources will be needed from the State than the present formula can generate. So, perhaps thought should be given to seeking legislative relief, contrary to what some of our friends have said before this. However, before any legislative action, I would suggest that the colleges do extensive advance planning and have a proposal ready which could be supported by all colleges. I would imagine that the sooner the formula is changed, the better. If we wait too long, I believe we'll have become distracted by other matters such as dwindling numbers of students.

The experts are predicting a substantial decrease in traditional age college students by 1995. The Harford County Public Schools enrollment

figures would seem to verify this trend. If time verifies these forecasts for Maryland and if there is not a significant increase in foreign students, then I suggest that there will be difficult times for higher education, particularly for some of the private and public four-year colleges. The loyal supporters of these fine colleges could take a number of courses of action. Among these choices could be request for legislative action to furnish more funds for the beleaguered colleges. And/or, there could be a request for legislative action to euphemistically improve and strengthen Maryland higher education by rewriting the missions of the colleges and community colleges. This could take the form, as Dr. Breneman has discussed in his articles, of having all or most transfer students attend a four-year college for the full four-year period--a so-called division of labor. The four-year colleges and universities would take the baccalaureate degree-seeking students and the community colleges would take community services.

Perhaps there is another and more positive course of action. There are 300,000 foreign students in this country now, and the number is growing. Perhaps all colleges and universities could unite to encourage, stimulate, and sustain this growth rate. After all, the extrapolation of this growth curve indicates that there could be more than a million foreign students here in the 1990's. That number of students could be a major factor in offsetting the decrease in the domestic students. While this approach could directly aid some colleges more than others, indirectly it would relieve a great amount of the pressure on all of higher education.

I would think that the community colleges would want to follow these developments and others of like nature and be prepared to take appropriate action. If action is to be taken or legislation is to be written, I suggest

that community colleges should be in on it. Here again, a presence in Annapolis of trustees, presidents of colleges, in addition to the fine staff of the State Board for Community Colleges, would be helpful.

At the local level, your knowledge and instinct of conditions would be much better than any specific thing I could suggest. However, it seems to me that the best budget defense a board of trustees and a president has is a college that has earned the respect of the community, that responds to the needs of the community, that has a high credibility with the fiscal authorities and that produces students who have met their goals, whatever they may be. Harford Community College has been supported very well at the local level over the past four or five years. This has been deeply appreciated. However, I don't know of any innovative ways to increase materially the percentage of local support. Harford County is not a wealthy county. It already has the fifth highest property tax rate in the State. Student tuition will have to be increased with time. What, if anything, this does to the open door policy, I don't know. Where is the point where one is priced out of the market?

In summary, as you have probably noticed, I am speaking from a somewhat defensive posture. However, there are things that can and should be done. If these things and other things are done, then I think the picture and the future is promising. These things are democracy in action and nobody said it would be easy. At the federal level, it will take the combined efforts of all of higher education to cut the loss. At the state level, a new and revised funding formula geared to the times of falling enrollment seems to be needed. Great care and alertness must be exercised to insure that the mission statements of higher education are not rewritten to the ultimate harm of the

community colleges. At the local level, I suggest a strong, well run college is the best budget defense. Student tuition will have to continue to increase with time. An expanded foreign student program should be studied and, if feasible, should be exploited. Lastly, I suggest a strong, fully supported group like the Maryland Association of Community College Trustees, integrated with the presidents' organization, and drawing on the entire college community be created to work with the State Board for Community Colleges to influence the hectic years ahead. Please remember: your competition is in Washington, but here are you? Please remember: your competition is in Annapolis, but where are you?

Dr. Robert E. Parilla, President, Montgomery College

I'd like to take a minute to say that some of my colleagues may be disappointed that we have had this program. I heard one of them say, "Why in the hell did you plan this thing so that all the people could get together and tell everyone else how bad the financial future is?" The fact is that at Montgomery for a few years now we've been implementing a planning process whereby we've sponsored programs to enable us to examine factors that will influence the college in the future. The purpose of these programs is to bring us information and data so that our internal planning process can consider the issues that people are talking about as important to higher education. When we began this year's planning effort we began talking about a financial futures topic and how we would treat it at Montgomery. We had the feeling that this might be a topic of statewide interest and decided to take

up Dr. Berdahl's offer to develop programs jointly between the community colleges and the University of Maryland Institute for Research on Higher and Adult Education. I think the program has been a good idea, and I believe that we need to understand the bad as well as the good news if we are going to remain productive and healthy institutions in the future.

We could expand to a broader issue that might help us to put today's program in context. Certainly we could say that we live in extremely chaotic times. There are obviously large number of Americans who have indicated they are losing confidence in themselves and in the tried and true institutions that they have counted on in the past. They feel that we are constantly dealing with crises in America. We talk about crises of inflation, unemployment, technical obsolescence, crime, the fact that we don't trust our public officials, the fact that we're constantly involved with wars or terrorism, and others. Perhaps the worst crisis that we hear people talk about is an extreme crisis of leadership. There doesn't seem to be on the horizon or in our midst substantial leaders to lead us out of these chaotic times. Certainly all of us could say we could expand these recent experiences to the last 20 or 30 years. During that time period there has been rapid change in conditions upon which we've always relied. Religion has changed. Our economic structures and conditions continue to change.

Those of you who have read Toffler recall that he has predicted a good many of the things that we're dealing with today. He states that many of us will be victims of "future shock"--victims of this kind of change. Toffler states that there are about four ways that people deal with change. First, we tend to block out reality. We tend to say that the change is not going to

happen; that it doesn't exist here, and therefore we can hide from it. The second is that we look for simple solutions. We assume that we can come up with a quick fix and all the problems will go away. Third, we sometimes withdraw into our own specialization. Instead of dealing with the big problems of the world we withdraw into the little world of our specialty and don't let ourselves be bothered by the big changes in society. Finally, in Toffler's opinion, the worst problem that we have as victims of future shock is that we tend to look to the past for old solutions to new problems, an approach that simply won't work.

Many of us, and certainly those of you who are in psychology, have seen many studies come out recently by both psychologists and physicians stating that these rampant changes are causing extreme stress in our society--stress which they say is leading to physical disease. They are saying that this kind of chaos and crisis could lead to physical collapse on the part of individuals and perhaps on the part of organizations. This research is particularly of concern because I've heard people refer to the fact that if you really want to destroy somebody or something there are a number of ways to go about it. You can destroy their confidence in themselves or destroy their confidence in the organizations of which they are a part; destroy their ability to feel any reliability on those organizations or those tried and true institutions.

After you successfully convince people that they can't have a basis for confidence in themselves or in their organizations, then you can move to another level of destructiveness in terms of the individual or organization. You can move to destroy the individual's concern, commitment, or motivation to do anything about a particular problem. Certainly we've seen that happen in

many instances. But when you destroy a person's commitment to be involved, you find them withdrawing from the circumstances. They simply say it's not worth the effort. If I get involved, it will not make a difference. The problem will probably go away anyway, so I'll wait and see or let someone else worry about the problems. If this happens in education, if we no longer have the concern or the motivation to do anything about the problems, then certainly the doom and gloom predictions that we've heard regarding our financial future will come true.

Recent polls provide evidence of the loss of confidence throughout the country. When people are asked what kind of confidence they have in their organizations, they almost always say that they have very little confidence in many organizations. I was recently reading an old Gallup poll dealing with the issue of confidence. People in the advertising profession had about a 6 percent confidence level in the United States. Politicians had about a 9 percent level. Labor leaders noted 19 percent; business executives 20 percent; lawyers 40 percent; journalists 49 percent; and, thank God, college teachers had 79 percent confidence.

Certainly we do have problems in our communities, in our colleges, and in our country. We see people dropping out all the time. We see people who claim that they're burned out. We see tremendous problems in our society that are the result of drugs and alcohol. We have this tremendous mentality that's grown that if it feels good, do it. If it doesn't feel good or if it costs a little bit of time or effort or if risks are involved, then avoid it.

These kinds of societal crises are happening, but I submit to you that they don't have to continue to happen. We have a choice. We have a choice to take the high or the low road. Unquestionably, there is a lot to be cynical

about. There is a lot to be pessimistic about. But a more optimistic view can be taken. We can look at the word crisis and think of the definition of the word crisis that medical people give it. Medical people say that a crisis is a turning point, you either get worse or you get better; perhaps you can have some influence on whether you get worse or better. The Chinese, who as you know write in symbols, write the word crisis with two characters. The first character stands for the word danger, which is perhaps how we look at crisis; but the second character that the Chinese use to describe crisis is opportunity. I think we too frequently look at crisis in terms of the danger and forget about the opportunity it may represent.

Whether we choose danger or opportunity, whether we choose pessimism or optimism, whether we choose losing or winning, really depends on leadership. It depends on each of us. Whether community colleges, specifically Maryland community colleges, maintain public confidence depends on whether we maintain confidence in ourselves. Maintaining reliability in this State depends to a very great extent on whether or not we can maintain quality. We must maintain public concern for us and commitment too if we hope to be able to motivate our leaders to political action.

The value of the program that we have participated in today is that even though it does tend to have people talk about the problems, it also produces a little bit of what some might call "double think" on our part. Double think requires us to ask, "Now that we've heard the problem, what can we do about it?" If we don't ask this question and leave here saying someone else will solve the problems, someone else will take the responsibility, and it won't matter if I get involved, then we'll be making a mistake. The greatest problem that we've got to overcome is the fact that many of us might feel that

we don't have the opportunity to influence the future. The reason we entered into a process of planning at Montgomery College is that we believe that if we can identify potential future problems, we can try to do something about them now. We can thereby avoid the serious consequences of the problem. If we wait for the problems to hit and don't try to anticipate them, we will deserve our fate.

There's no question that we face challenges as leaders, but I think we can prevail. Some of those challenges we've heard today. Will we be able to maintain the mission of the community colleges? Will we be able to maintain our commitment to access or will we close the institutions partially? Will we be able to improve quality? Will we have adequate funding? Can we prevent unhealthy segmental battles in this State between community colleges, the private sector, four-year institutions, and the university? Can we take a role in the economic development of this State? Can we train the unemployed? Can we become involved in the tremendous change in technology that is occurring? Yes, we can get involved, and we can have an impact, but only if we choose to get involved and take the risks.

Support for education is really necessary if we believe in the future. No other public expenditure has as much to do with the future as does education. Expenditures on education are an investment in the future. I don't believe that an adequate number of studies have been conducted to show the public and the politicians that an investment in education really does pay off. We need to get about doing those kinds of studies. We need to show people the kinds of payoff that come from education. The research is our responsibility, not the government's.

In conclusion, there's no question that we can be optimistic about our future. There's no question that we are institutions that provide hope to other people. Our students are enrolling because they have hope in the future. They have hope in their future, and they see us as an institution that helps provide an avenue to a better future for them. We can't lose sight of that fact. It's not enough, however, that we're currently strong; it's not enough that we have over a hundred thousand students in the community college segment and that we have surpassed the other colleges combined in terms of our enrollment. It's not enough that certain things are going our way right now. If we sit back and say, yes, it is good, complacency will be bred. What we have to do is define our strengths, communicate these strengths better to our constituencies, and become involved in political action. This is a democracy which is based on political activities; it is based on informing the public; it is based on informing the politicians about what our needs are and why we need them. If we simply sit back and say we'll wait to see what Annapolis does and then react, we'll wait to see what Washington does and then react, then we deserve what happens to us. If on the other hand we get together, if we get involved in planning what we think our best next steps are and then get actively about the business of making sure the public and the Legislature know what our agenda is, I think we can be successful. If we want to be leaders in this field we're going to have to take some risks. I think the risks are worth taking and there's simply no question that we've got an extremely positive base on which to build.

The Community College Response

Dr. Benita Mackie, Professor of English and Assistant to the Dean of Instruction, Catonsville Community College

It has been rather depressing today to hear about all the things that are wrong with the economy and their implications for community colleges. I think, however, that, even more than things are wrong with the economy, things are wrong with education. That's the bulk of what I have to say to you today.

Preparing to speak to you today has forced me to consider a much more global picture than I might have considered in my role as a classroom teacher. In preparing to talk with you, I started with some rather large questions: Why do we ask the public to finance education at any level? How dare we walk up to people and say, "We're going to take your money and give it to other people; we're going to decide what's the best way to spend your money." Answers to these questions center around issues of access, equity, and equal opportunity. They center around issues of the general welfare. Education's contribution to the general welfare is what, in my opinion, justifies the public finance of education. Education does have a legitimate function. The welfare of the public does depend on the education of everyone up to his capacity.

The problem right now is not inflation. It's not that President Reagan is trying to impose an ideology of local control. The problem is a lack of productivity in this country. Productivity is extremely low because people are untrained for positions. There's a great world of high technology out there, and our students, graduates of five years ago, ten years ago cannot enter it.

The Community College Response

One of the most distressing pieces of information that I've received in the last month was the unemployment figures. A month ago the report for October said that unemployment was up to 15.6 percent, the highest it has been in the post-World War II era. In Maryland, employment was actually up 5/10 of a percent. However, the State Director of Research and Analysis tells us that Maryland's employment rose because so many people in the work force have given up: they are not applying for employment anymore. They are just shrinking into the background. Why? Where is the resiliency? Are they giving up because they cannot learn new skills? Do they lack the ability to read, to think, to use numbers? It is appalling to realize that most students who graduate from high school used to get much more from their primary and secondary school education than students now have after two years of college. The students who came out could use all kinds of arithmetic, could quickly learn algebra, could talk, could write. Where are those students now? What happened, I think, is that we allowed a great labor force to go out and work as automatons. They worked on the production line; they learned a skill, and that is all they learned. They earned a good wage. The unions helped them; there was money; and they moved along fine. Now, even the younger ones haven't flexibility. They can't read. They can't even read a manual. We see them all the time in the classroom. They cannot think, they cannot use numbers. That's what is coming out of primary and secondary schools today.

We at the community college have tried to address student deficiencies through remedial education. This is an important part of our mission. One of the arguments in Breneman's book is that the public community colleges should give students free remedial education. Until we can bring enough pressure on

the lower grades, enough decentralization so that the principals care and the teachers care and the students care, we must support remedial education in community colleges; otherwise, in twenty years we will be having a meeting similar to this one, wondering what happened to America's workforce.

One of our major roles and one of the programs we should ask the state and the county to fund for the general welfare is remedial education. By remedial, I do not mean shuffling students through some kind of a learning lab. If we are going to provide remedial education, we must take it seriously. We cannot simply pass students along from one simple reading course to another. We have to free these people's minds so that they can think, so that they can use the language and they can use numbers. I believe that, if we taught language and math well through the elementary and secondary schools, and added two years of general education in a community college, those students who should be out running computers and doing the robotics could be trained by industry in the specific skills they need.

I'm always amazed when somebody says in fear that if the community colleges do not provide job training, industry will do it. Why shouldn't industry be responsible for preparing its workers for specific jobs? Certainly, we can't afford, nobody can afford--no county, no state, no individual college--the ever changing high technology. No school can keep up with industries that change so rapidly. We cannot train people for the specific jobs of next year. We have to train people to think, to reason. Industry should, I think, train them to use machines and manage business.

Right now, short-term training is very appealing. Some county executives love it. However, there's a danger with short-term training that's related to

the funding level. We at community colleges have been told, for quite a while now, that our goal is FTE's: that's my goal; I'm not a teacher anymore; I'm assigned to service FTE'S. Faculty have been almost blackmailed into accepting one program rather than another because of funding FTE's. We've been told that if we don't accept low-level, short term training programs, no students will be around to take history. As the training programs grow, the character of the college changes. Faculty change, programs change, administrators change. When we start bringing in untrained people to teach little subjects here and there simply because we can get FTE credit, we start changing the so-called curriculum almost daily. We become something else. I'm rather existential on that point: I think a person is what he does, not what he says he is. We can stand here and say for the next ten years that we're a good, general education, transfer community college; if, in fact, all our internal energies and interests are going to little short-term training programs that provide immediate, short-lived employment and do not prepare people to grow in the years ahead, we are not a college. And we are betraying the people whom we claim to serve.

People are desperate for jobs. Recently I read that 50 percent of the students in community colleges last year would have gone out and gotten a job if they could. I think these students do not know what a job is. I think they do not know that if they get a job at the level of which they are capable, they may be stuck in it the rest of their lives, or worse, have nothing when the job becomes obsolete.

Therefore, I'd like to provide a word of caution to all of us. Don't sell out for immediate FTE count because it seems immediately economically

appealing. What we need is quality education, not quantities of students. If we maintain quality, I think in the long run our communities will support us. They could not afford not to. If we don't, if we sell ourselves to this industry or to that industry in order to make a few quick bucks, I think they will have no reason to support us.

Very often when these subjects come up in the college, people at high levels and low levels say we don't want to talk about quality because no one agrees on what quality means: what I think is quality is what I do, and what you think is quality is what you do. I don't believe that either. I think we can talk about quality of programs. And, although drawing some fine lines may be difficult, I think by and large people in education know if a program has quality.

Perhaps financial cutback provides us with an opportunity to look at ourselves and what we are doing. There are many ways that we can use our colleges--many opportunities to use the community, to use those advisory groups in the community to keep us in touch with the people. That's the strength of the community colleges. Our counties, our states, no one can afford to let us go. That's a smug thing to say, perhaps, but it's true.

Every Thanksgiving my children come home and they get into terrible arguments. This year because of their mother's reading for this session, the topic was public finance. One of the people who was a guest of ours at Thanksgiving is an industrial manager for an enormous international plastic corporation who handles hundreds of millions of dollars. He looked around at all of us--we're all teachers and social science workers--and he said, "I realize I am the only one here who is actually coming out with a product." My son, the economist, rose and said, "Do you realize that all these people here

are trying to produce the most valuable product--human intelligence, trained human intelligence." If there is anything necessary for high productivity, for correction of past errors, for growth in the future, it is keenly trained intelligence. We know the difference and it is our responsibility to provide this training. If we do, the finances will be there.

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